

General Background on Tax Credits & Bovine Manure Credit (SB 151)

Senate Committee on Natural Resources and Wildfire Recovery

Kyle Easton – Legislative Revenue Office



Tax Credits

- Tax Credits: Reduces tax liability on a dollar-for-dollar basis
- Contrast with deduction: Reduces income subject to taxation

Credit Concepts

- Non-refundable credit: does not reduce tax liability below zero
- Refundable credit: potential negative tax liability
- Carryforward
- Transferability
- Sunset





Personal Income Tax Credits

Oregon Personal Income Tax Credits - TY 2018	
All Filers, \$ Millions	
Credit Name	Amount
Personal Exemption Credit	\$611
Taxes Paid to Another State	\$122
Earned Income	\$48
Working Family Household and Dependent Care	\$32
Film Production Development Contributions	\$14
Opportunity Grant Contributions	\$9
Rural Medical Providers	\$7
Individual Development Account Contributions	\$7
Political Contributions	\$5
Severe Disability	\$4
Child with a Disability	\$4
Oregon Cultural Trust	\$4
<i>Other</i>	\$34
Total	\$902

- Personal exemption credit was \$210 in TY 2020 and is indexed to inflation
 - Personal Exemption Credit is limited to taxpayers with Adjusted Gross Income
 - Single: ≤ \$100,000
 - Joint: ≤ \$200,000





Tax Credit Review Process

- Tax credit review: Undertaken during each long session
 - 6-year sunsets, measures introduced
 - Measures assigned first to committee with policy link, subsequent to revenue committee or joint tax expenditures committee
- LRO tax credit report
 - Policy Purpose | Description | Policy Analysis





Tax Credits Cost to Extend

Estimated Cost of Extending Tax Credits

\$ Millions, Updated 1/24/2021

Tax Expenditure Report Number and Credit name	ORS	Sunset Date	-----Biennium-----		
			2021-23	2023-25	2025-27
<i>Scheduled for Review by the 2021 Legislature</i>					
1.404 Employee Training in Eligible Counties	315.523	2023	< 50K	< 50K	< 50K
1.407 Child with a Disability	316.099	2022	\$4.9	\$10.2	\$10.6
1.408 Rural Medical Providers	315.613-619	2022	\$1.2	\$4.4	\$6.1
1.410 Severe Disability	316.752-771	2022	\$4.8	\$9.7	\$9.7
1.422 Public University Venture Development Fund	315.640	2022	\$0.3	\$0.5	\$0.4
1.425 Working Family Household and Dependent Care	315.264	2022	\$31.9	\$63.8	\$63.8
1.426 Contributions to the Office of Child Care	315.213 (318.031)	2022	< 50K	< 50K	< 50K
1.427 Individual Development Account Contributions	315.271	2022	\$6.6	\$13.6	\$13.9
1.430 Bovine Manure for Biofuel	315.176	2022	\$3.3	\$5.5	\$5.8
1.445 Oregon Life and Health IGA Assessments	734.835	2022	\$0.7	\$0.9	\$0.5
1.449 Oregon Veterans' Home Physician	315.624	2022	< 50K	< 50K	< 50K
SUBTOTAL			\$53.6	\$108.6	\$110.8



Bovine Manure Tax Credit





Bovine Manure Credit

- Policy purpose:
to ensure the viability and use of digester technology investment
- Enacted in 2017 (spun off from Production/Collection of Biomass credit – enacted in 2007)





Bovine Manure Credit Description

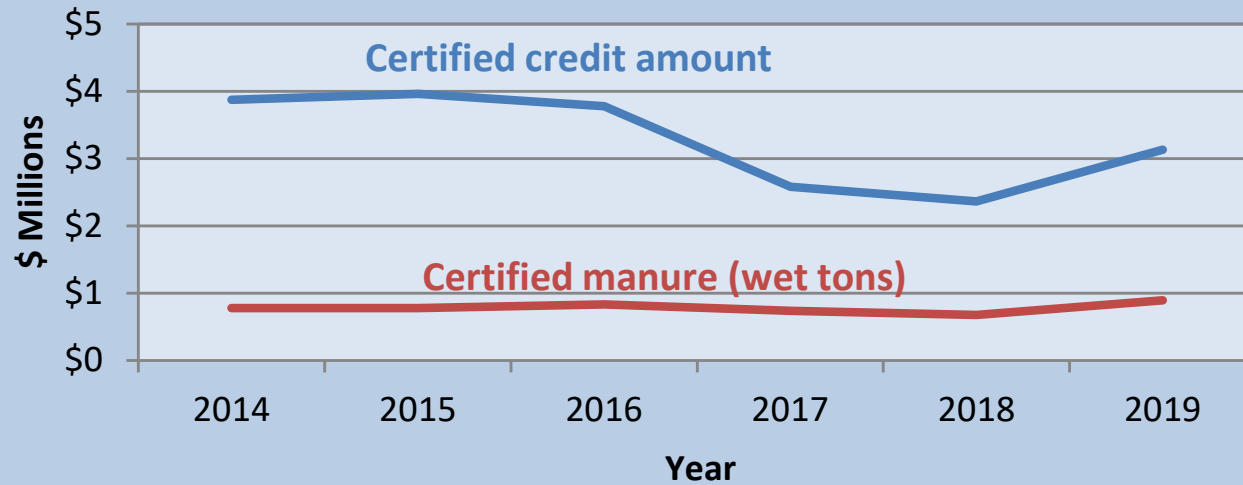
- Credit Description
 - Credit= \$3.50 per wet ton of bovine manure (claimed once per wet ton)
 - Available to producers or collectors of bovine manure
 - Manure used in Oregon as biofuel or to produce biofuel
 - Manure must be derived from cows, heifers, bulls, steers, or calves on Oregon farms
 - Nonrefundable, carry forward for 4 years, credit is transferable
- Credit Certification
 - Apply for certification through Oregon Department of Agriculture
 - Annual certification limit= \$5 million (proportionately reduced if required)





Credit Certifications

Bovine Manure Tax Credit Certifications



Entities= 23 21 18 16 6 4

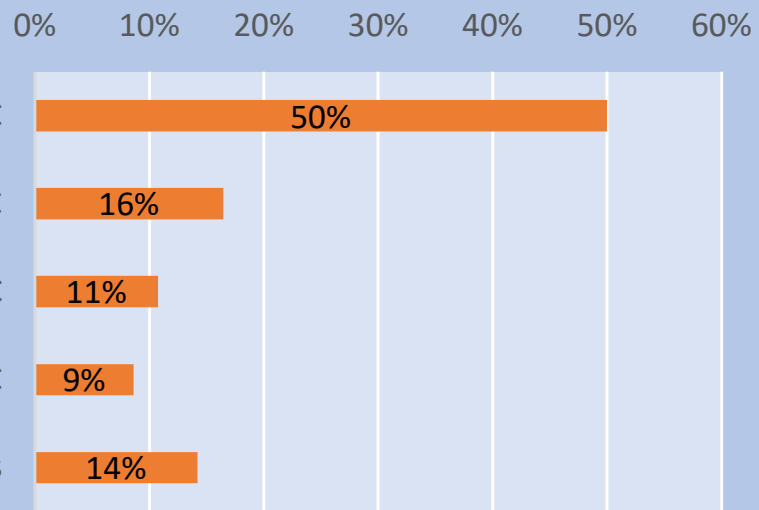
- Credit amount reduced beginning 2017 from \$5.00 to \$3.50 per wet ton
- Amount of manure relatively stable



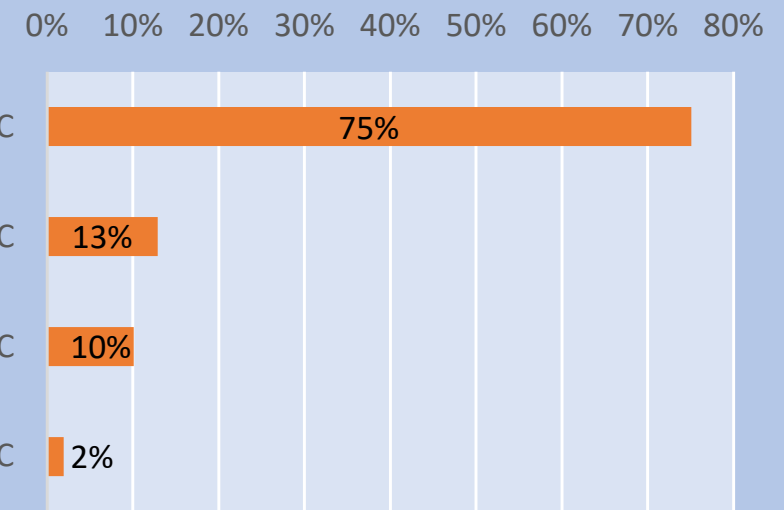


Credit Certifications

Credit Certifications by Entity | Pct. of Total Certification Years 2014-2019



Credit Certifications by Entity | Pct. of Total Certification Year 2019





Policy Analysis

- Literature Review
 - Digester financial viability
 - Size (milking herds of at least 500 cows)
 - Energy costs
 - Manure management
 - Cost sharing
 - Greater importance for smaller operations
 - States generally use multiple policy interventions to incentivize construction/use of anaerobic digesters
 - Grants, loans, tax credits, exemptions, production incentives, carbon offsets
 - Importance of performance-based incentives and renewable portfolio standards





Policy Analysis

- Federal Assistance
 - AgSTAR, Conservation Loan program, Rural Energy for America Program, Environmental Quality Incentives Program
- California example
 - Dairy Digester Research & Development Program
 - \$183.4 million in grants awarded to 108 dairy digester projects (2014 through 2019)
 - Grants can equal up to 50% of total project costs (limit \$3M)
 - Carbon pricing

